

How You and Your Insurer Share Costs - Example

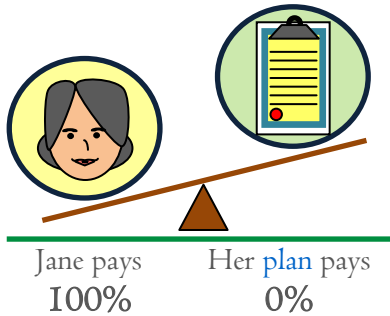
Jane's Plan Deductible: \$1,500

Co-insurance: 20%

Out-of-Pocket Limit: \$5,000

January 1st
Beginning of Coverage
Period

December 31st
End of Coverage Period



Jane hasn't reached her \$1,500 deductible yet

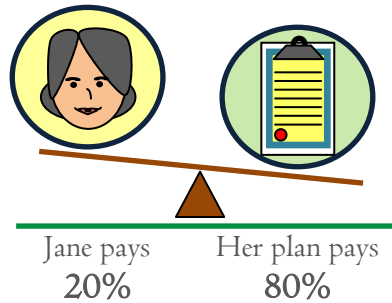
Her plan doesn't pay any of the costs.

Office visit costs: \$125

Jane pays: \$125

Her plan pays: \$0

more costs



Jane reaches her \$1,500 deductible, co-insurance begins

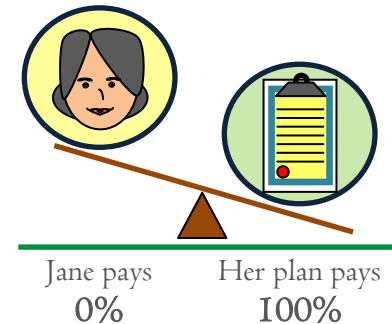
Jane has seen a doctor several times and paid \$1,500 in total. Her plan pays some of the costs for her next visit.

Office visit costs: \$75

Jane pays: 20% of \$75 = \$15

Her plan pays: 80% of \$75 = \$60

more costs



Jane reaches her \$5,000 out-of-pocket limit

Jane has seen the doctor often and paid \$5,000 in total. Her plan pays the full cost of her covered health care services for the rest of the year.

Office visit costs: \$200

Jane pays: \$0

Her plan pays: \$200

Five Health Insurance Terms You Must Know

1. Premium:

Your premium is the amount you pay to the health insurance company each month to maintain your coverage. When trying to understand the cost of a health insurance plan, the premium is the first thing to consider. But make sure to balance it against other costs, such as copayments, deductibles and coinsurance. A good rule: choose a lower premium/higher deductible if you want to save money now, and a higher premium/lower deductible if you want to be more financially prepared for unexpected medical expenses later.

2. Copayment:

Your copayment, or "copay," is the specific dollar amount you may be required to pay up front for a specific type of service. For example, your health insurance plan may require a \$15 co-payment for an office visit or brand-name prescription drug, after which the insurance company pays the remainder of the charges. A good rule: if you make frequent doctor's office visits, make sure you choose an affordable and consistent copayment.

3. Deductible:

Your annual deductible is the amount you may be required to pay out-of-pocket before the insurance company will begin paying for your medical claims. Keep in mind, your monthly premiums and copayments will often not count toward your deductible. Not all plans require a deductible, but choosing a plan with a higher deductible can keep your monthly premiums lower. A good rule: keep your deductible to no more than 5% of your gross annual income.

4. Coinsurance:

Coinsurance is the amount that you are obliged to pay for covered medical services after you've satisfied any co-payment or deductible required by your health insurance plan. Think about it this way: the insurance company may limit coverage for certain services to, say, 80% of charges. So, for example, if your insurance benefits cover 80% of x-ray charges, you will need to pay the remaining 20%, even if your annual deductible is already met. That 20% is considered coinsurance.

5. Maximum Out-of-pocket Costs:

Pay attention to this amount when considering a new health plan. Your maximum out-of-pocket cost sets a limit to your annual financial liability. Once you have paid out of pocket (typically through deductibles, copayments or coinsurance) to the "maximum" amount, the insurance company pays the full charges for any additional covered medical services rendered that year. Your monthly premium will not count toward your maximum out-of-pocket costs.